

FISCAL NOTE

Bill #: HB0300

Title: Income tax surcharge

Primary Sponsor: Hedges, D

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Revenue:			
General Fund	\$3,381,000	\$83,685,000	\$31,590,000
Net Impact on General Fund Balance:	\$3,381,000	\$83,685,000	\$31,590,000

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|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill would provide for an 11% surtax on individual income tax liabilities for tax years 2003 and 2004.
2. The Department of Revenue will adjust withholding tables on June 1, 2003 to increase total withholding by 22% above current withholding levels; will adjust withholding tables on January 1, 2004 to increase total withholding by 11% above current withholding levels; and will adjust withholding tables on January 1, 2005 to current levels of withholding.
3. Taxpayers who file extensions pay their final tax liabilities when filing for the extension, and have no adjustments after June 30 of the year following the tax year for which payments are due.
4. Taxpayers who make quarterly estimated tax payments will adjust their payments to fully account for the surtax.
5. Total tax liability for all filers for tax year 2003 is \$512.263 million; and for tax year 2004 is \$566.428 million. The surtax increases tax year 2003 tax liability by \$56.349 million and increases tax year 2004 liability by \$62.307 million, for a total increase in liability for both years of \$118.656 million.
6. Because this bill provides for increased withholding beginning June 1, 2003 there will be an impact on revenues in fiscal year 2003. This impact is equal to 6% of the increase in tax year 2003 liability, or \$3.381 million.
7. All of the balance of the increase in tax year 2003 liability (\$52.968 million) will be collected in fiscal year 2004.
8. Based on collections patterns for fiscal years 2000 and 2001; 50.7% of the increase in tax year 2004 liability, or \$31.590 million, will be collected in fiscal year 2005; the balance of the increase in tax year 2004 liability, or \$30.717 million, will be collected in fiscal year 2004 through increases in withholding and quarterly estimated tax payments.

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(continued)

9. The above assumptions result in an increase in revenue in fiscal 2004 of \$83.685 million, and an increase in revenue in fiscal 2005 of \$31.590 million.
10. There are no significant administrative expense impacts to the Department of Revenue from this bill.

FISCAL IMPACT:

	<u>FY2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Revenues:</u>			
General Fund (01)	\$3,381,000	\$83,685,000	\$31,590,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>			
General Fund (01)	\$3,381,000	\$83,685,000	\$31,590,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.